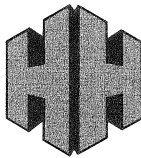


Management Letter

THOMAS A. EDISON CHARTER SCHOOL
(A Component Unit of the State of Delaware)
Wilmington, Delaware

Year Ended June 30, 2007



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

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American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

Management Letter

Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

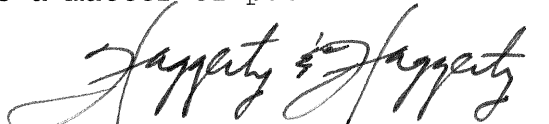
In planning and performing our audit of the basic financial statements of Thomas A. Edison Charter School for the year ended June 30, 2007, we considered the internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

During our audit of the basic financial statements we became aware of certain matters that are opportunities for strengthening the internal control and operating efficiency. The memorandum that accompanies this letter summarizes our findings and recommendations. A separate report dated April 22, 2008 contains our report on reportable conditions in the School's internal control. This letter does not affect our report on the School's financial statements, dated April 22, 2008.

The matters noted are only those that came to our attention and, had our procedures for internal control related matters been more extensive, other matters might have been noted. Also, the functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

We will review the status of these findings during our next audit engagement. We have discussed these matters with School personnel and we would be pleased to discuss them in further detail at your convenience, to perform any additional study, or to assist the School in implementing the recommendations.

This report is intended solely for the information and use of the School's management, School Board members, the Department of Education, the Office of the Governor, the Office of Controller General, the Office of Attorney General, the Office of Management and Budget, Office of Auditor of Accounts, Secretary of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a matter of public record and its distribution is not limited.


Certified Public Accountants

April 22, 2008
Wilmington, Delaware

Members of the School Board
Thomas A. Edison Charter School
Management Letter
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LIST OF FINDINGS FOLLOWS:

<u>Current Findings</u>	<u>Description</u>
1	Records Management
2	Leasing Arrangements
3	Management Service Agreement

Status of Prior Year's Findings

June 30, 2006:

1	Human Resource Function
2	Interest Charges by Vendors
3	Cash Disbursement Function

CURRENT FINDINGS

Finding Number 1 - Records Management

We were unable to locate certain financial information when required. The records were either misfiled or unavailable at the School's premises. The causes appear to be the following:

- Lack of a clearly defined records management system;
- Failure of those who removed records from the files to indicate who took the records;
- Failure to return the records to the files or misfiling them when returned.

Recommendation

We recommend management become familiar with the following guidance prior to developing a records management system:

- The records management handbook "General Records Retention Schedule" from the State Bureau of Archives and Records Management.
- Department of Education, Administrative Code, Section 716, "Maintenance of Local School District Personnel Records".
- Office of the Budget, Budget and Accounting Policy, Section XII Records Retention and Filing.

Finding Number 2 - Leasing Arrangements

Our review of the School's leasing activities noted the following:

- The School has not executed an agreement with the Foundation.
- No leasing arrangements were available for the School's copiers and postage machine.

Recommendation

We recommend that management obtain and/or formalize the above noted arrangements.

Finding Number 3 - Management Service Agreement

Our review of the "Facility Management Service Agreement" provided by the School does not support the related financial transactions recorded in DFMS.

Recommendation

We recommend management review the agreement and compare it to the transactions from DFMS. Determine whether the agreement is correct or whether the School overpaid for its services by \$7,119.36 for the year ended June 30, 2007.

STATUS OF PRIOR YEAR'S FINDINGS

June 30, 2006:

Finding Number 1 - Human Resource Function

Our review of the human resource function revealed that certain personnel files did not contain complete Immigration and Naturalization Service (INS) Form I-9 and Employee Withholding Allowance Certificate (Form W-4), and certain other miscellany information. Out of a random sample of 40 files tested, one file had an incomplete Form I-9, one file had an incomplete Form W-4, two files had incomplete information documenting name changes, two files had incomplete contracts, and one file had an official transcript misfiled in another employee's file. The accuracy and completeness of personnel information is crucial because of the following:

- The Immigration Reform and Control Act of 1986 requires that all employers verify "employment eligibility" of any individual hired after November 6, 1986 by completing and retaining INS Form I-9.
- The Internal Revenue Code requires that all employers obtain certain payroll information on Form W-4 under Code Sections 3402(f)(2)(A) and 6109.
- Laws regarding contractual agreements.
- Laws regarding an employee's right to privacy.

Recommendation

We recommended that the School establish monitoring procedures to ensure that all personnel files contain the necessary documentation required for compliance with federal, state and local laws. We also recommended that all personnel information be maintained in a safe and secure place.

Management Response and Corrective Action

"The School has already established monitoring procedures to ensure that all personnel files contain the necessary documentation required for compliance with federal, state and local laws. All personnel information is now maintained in a safe and secure place."

Status of Finding

The finding is resolved.

STATUS OF PRIOR YEAR'S FINDINGS (continued)

June 30, 2006: (continued)

Finding Number 2 - Interest Charges by Vendors

Our review of vendor files revealed that a maintenance contract was not in agreement with the State of Delaware's Budget and Accounting System, which states in 29 Del. C. 6516 (3) that "The interest rate shall not exceed annualized rate of 12 percent."

In section 5(c) Compensation the contract states that "If any amount due under this Agreement is not paid in full with forty-five (45) days after its invoice date, then the unpaid portion will bear interest, from the invoice date until paid, at a rate of One Hundred Twenty-Five Percent (125%) of the Prime Interest Rate per annum (or, if prohibited by law, then the maximum rate permitted legally) on the unpaid balance, computed from the due date until the date paid."

In section 5(e) Compensation the contract states that "Upon expiration or termination of this agreement by either party for any reason whatsoever.....In the event such amounts owing are not paid within 30 days of expiration or termination, the School agrees to pay interest on such amounts at the Prime Rate plus two percentage points per annum, compounded monthly from the date of expiration or termination, until the date paid."

Recommendation

We recommended that the School when negotiating an agreement with a vendor be conscious of its responsibilities under the Delaware Code.

Management Response and Corrective Action

"The School when negotiating a contract with a vendor will be conscious of its responsibilities under the Delaware Code."

Status of Finding

Our audit procedures revealed no new occurrences. **The finding is resolved.**

STATUS OF PRIOR YEAR'S FINDINGS (continued)

June 30, 2006: (continued)

Finding Number 3 - Cash Disbursement Function

Our review of the cash disbursement function, which included a sample of 152 transactions, revealed the following:

- One employee reimbursement form was used by an employee of the management company to submit reimbursement of expenses to the School. The rate on the reimbursement form was changed to reflect the management company rate and not the rate stipulated by the State.
- Two vendors overcharged the School.
- Ten payment vouchers were miscoded.
- Thirteen payments were more than thirty (30) days after the invoice date.
- Thirty-one documents were dated before the authorization date, because the date when the information was entered into DFMS was not recorded it gave the appearance of being entered prior to the authorization date.
- Undocumented expenses invoiced by the management company.

The State of Delaware *Budget and Accounting Manual* Chapter VII 10(a) states, "The State shall make every effort to issue payments to vendors within 30 days of the presentation of a valid invoice on which a state agency is liable to make payment; or receipt of goods or services; if received after the invoice or bill".

Recommendation

We recommended that all vendor invoices be reviewed for accuracy and completeness, and be dated when entered into DFMS. We also recommended that the School comply with the State of Delaware *Budget and Accounting Manual* and make every effort to issue payments within thirty (30) days of the presentation of the invoice.

Management Response and Corrective Action

"All vendor invoices are reviewed for accuracy and completeness, and are dated when entered into DFMS. Every effort is made to issue payment within 30 days of invoice presentation."

Status of Finding

The finding is resolved.